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UNITED STATES GENERAL ACCOUNTING OFFICE
INTERNATIONAL DIVISION
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HONOLULU, HAWAII 96815

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FEB 19 1969

Commanding Officer
U. S. Naval Air Station
Barber's Point, Hawaii 96611

Attention: Comptroller

Dear Sir:

We have completed our initial survey of the implementation of the Accounting System for Operations at the Naval Air Station (NAS), Barber's Point. The survey was made as part of a continuing review by the General Accounting Office of the implementation of the system within the Department of Defense. Our review is being performed pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53) and the Accounting and Auditing Act of 1950 (31 U.S.C. 67). We plan to continue work on this review and may perform additional work at your activity as the review progresses.

The purpose of this letter is to convey our observations on those portions of the system which we have examined to date. We performed our work at NAS Barber's Point during November and December 1968.

We found generally that NAS Barber's Point is not managing its resources on an expense basis as intended by Project PRIME. We also noted several specific areas wherein the system is not yet operating in accordance with PRIME directives. We realize that continued management by conventional accounting procedures has been influenced by the instructions and limitations received from higher command levels and that some of the problems are due, at least in part, to the late date at which PRIME implementation was approved. However, we believe that NAS Barber's Point should have taken actions to manage internally on an expense basis as contemplated by the new Accounting System for Operations.

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Following are some of the observations made during our survey at NAS Barber's Point.

Budget apportionment submission

NAS Barber's Point was not required to submit cost estimates for fiscal year 1969 in the areas of: military personnel, flight operations and aviation maintenance. The military personnel estimates were prepared at the Washington level while the flight operations and aviation maintenance estimates were prepared by the Type Command, COMNAVAIRPAC. The budget apportionment instructions called for an estimate of "changes to undelivered orders" but none was made. We also noticed that work units were not used in preparing the FY 1969 budget apportionment.

Management of station resources

The operating targets issued to the cost centers were by "budget project" and "fund code", which is the same conventional format used prior to the implementation of PRIME. These operating targets included only obligational authority without any expense authority.

The Administration Department has been given separate operating targets for station travel and printing costs and the costs incurred are reflected on the Administration Department's Operating Budget/Expense Report (Nav Compt Form 2168). They are not, however, reflected on the using cost center's report. The Comptroller Department retained all operating targets for civilian labor; the civilian labor expenses, however, are being included on the using cost center's Operating Budget/Expense Report. The intent of the Accounting System for Operations was to have each manager accountable for the resources which he used, and operating targets issued should include all resources.

The day-to-day management of station resources continues to be based upon the weekly "Status of Allotments Report", which provides obligation data for individual operating targets. Expense data, by cost center, is available only as often as the detailed Nav Compt Form 2168 is prepared. The Financial Management of Resources Manual, NAVSO P-3006, requires the preparation of 2168's monthly; COMNAVAIRPAC instructions, however, state that the 2168's are only required quarterly. In our opinion it

would be to the advantage of NAS Barber's Point to prepare 2168's and a 2169 monthly. In addition we believe that the "Status of Allotment Report" should be replaced by a Status of the Operating Budget by Cost Center on a weekly basis. These actions would tend to influence managers to use the new accounting system as the tool for which it was intended.

Accounting

Classification of expenses by functional categories is still in the process of being purified. We found that certain expenses had been classified in one functional category at the time of the budget apportionment and in a different category when the annual operating budget plan was prepared.

We noted that NAS Barber's Point is recording an undelivered order for each requisition irrespective of whether the material is in stock. Other Navy activities have established procedures to record an undelivered order only when the item is not carried or not in stock; in all other cases the activities record an obligation/expense upon drop from inventory. We believe adoption of this method would simplify the system and reduce the number of entries to the books of account.

We would like to express our appreciation for the cooperation extended to our staff during this survey. We will be glad to discuss these matters further if you so desire and would appreciate receiving any comments you may have concerning the above matters. If we can be of assistance to you in implementing the system please advise us.

Information copies of this letter will be furnished to the Assistant Secretary of the Navy (Financial Management) and to the Assistant Secretary of Defense (Comptroller).

Sincerely yours,


C. Roman
Director